

HORNED CATTLE FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2002



Provincial Auditor Saskatchewan

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Horned Cattle Fund as at March 31, 2002 and the statements of revenues, expenditures and net financial assets, and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 26, 2002

Fred Wendel, CMA, CA
Provincial Auditor

Statement 1**HORNED CATTLE FUND
STATEMENT OF FINANCIAL POSITION
As at March 31**

	<u>2002</u>	<u>2001</u>
Financial Assets:		
Due from General Revenue Fund (Note 3)	\$ 178,742	\$ 187,702
Accounts receivable (Note 5)	45,704	47,830
Accrued interest receivable	<u>1,021</u>	<u>2,717</u>
	<u>\$ 225,467</u>	<u>\$ 238,249</u>
Liabilities:		
Accounts payable	\$ <u>---</u>	\$ <u>220</u>
Net financial assets (Statement 2)	<u>\$ 225,467</u>	<u>\$ 238,029</u>

(See accompanying notes to the financial statements)

Statement 2

HORNED CATTLE FUND
STATEMENT OF REVENUES, EXPENDITURES AND NET FINANCIAL ASSETS
Year Ended March 31

	<u>Budget 2002 (Note 7)</u>	<u>Actual 2002</u>	<u>Actual 2001</u>
Revenues			
Deductions	\$ 132,000	\$ 133,272	\$ 141,914
Less Commissions	<u>2,000</u>	<u>2,297</u>	<u>2,383</u>
Net deductions	130,000	130,975	139,531
Cattle sales	320,000	257,460	160,905
Interest revenue (Note 3)	<u>5,000</u>	<u>6,562</u>	<u>10,065</u>
Total revenue	<u>455,000</u>	<u>394,997</u>	<u>310,501</u>
Expenditures			
Grants	100,000	75,000	93,599
Project operating costs (Note 6)	320,000	257,460	160,905
Administration (Note 9)	15,100	15,000	15,000
Cattle purchases (Note 6)	—	55,000	—
Advisory Committee and other expenses	<u>2,500</u>	<u>5,099</u>	<u>1,616</u>
Total expenditures	<u>437,600</u>	<u>407,559</u>	<u>271,120</u>
Surplus for the year	<u>\$ 17,400</u>	(12,562)	39,381
Net financial assets, beginning of year		<u>238,029</u>	<u>198,648</u>
Net financial assets, end of year (Statement 1)		<u>\$ 225,467</u>	<u>\$ 238,029</u>

(See accompanying notes to the financial statements)

Statement 3

**HORNED CATTLE FUND
STATEMENT OF CASH FLOWS
Year Ended March 31**

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:		
Receipts from deductions	\$ 133,056	\$ 138,767
Receipts from cattle sales	257,460	160,905
Payments to suppliers and Advisory Committee	(332,734)	(273,963)
Grant payments	(75,000)	(93,599)
Interest and other receipts	<u>8,258</u>	<u>9,577</u>
Cash flows from operating activities	<u>(8,960)</u>	<u>(58,313)</u>
Net (decrease) increase in cash and cash equivalents	(8,960)	(58,313)
Due from General Revenue Fund, beginning of year	<u>187,702</u>	<u>246,015</u>
Due from General Revenue Fund, end of year	<u>178,742</u>	<u>\$ 187,702</u>

(See accompanying notes to the financial statements)

HORNED CATTLE FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2002

1. Legislative Authority

The Horned Cattle Fund is continued under *The Horned Cattle Purchases Act*. The purpose of the Fund is to promote research and development in the livestock industry. The Fund is administered by an Advisory Committee established under the Act. The Committee authorizes all expenditures from the Fund subject to the approval of the Minister of Agriculture, Food and Rural Revitalization.

Dealers purchase cattle with horns from producers at market prices. Section 3 of *The Horned Cattle Purchases Act* requires the dealers pay the producers' market price less \$2.00 for each head of cattle sold with horns. Subsection 5(1) of *The Horned Cattle Purchases Regulations, 1983* requires dealers to submit the \$2.00 deducted for each head of cattle less a \$0.03 per head dealer commission to the Fund.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant:

a) Revenue

Deductions revenue and related commissions are recognized when the cattle are sold.

b) Grants

Grants are recorded as expenditures when approved and when the eligibility criteria, if any, have been met by the recipient.

c) Cattle

Cattle are sold on a regular basis from the cattle herd at the Western Beef Development Centre. The revenue is recognized when the cattle are sold.

Cattle purchases are made for the purpose of research and development to improve the livestock industry. Cattle are recorded as expenditures when purchased.

The estimated realizable value of the cattle herd at the Western Beef Development Centre at year-end is \$338,009 (2001 - \$307,350).

3. Due from General Revenue Fund

The Fund's money is held in the General Revenue Fund. Interest is calculated on the Fund's daily balance using the Government's thirty-day borrowing rate and is credited to the Fund on a quarterly basis. The Government's average thirty-day borrowing rate for 2001/02 is 3.41% (2000/01 is 5.59%).

4. Commitments

At year-end, the Fund's Advisory Committee approved grants totalling \$88,890 (2001 - \$70,000) for payment in the following years:

2003	\$51,390
2004	\$37,500

Included in these amounts is \$37,500 per year committed to the University of Saskatchewan.

5. Swift Current Project

The Swift Current Project was established under a 1998 agreement with Agriculture Canada. The project will end on October 31, 2003. Under the agreement, Agriculture Canada carries out beef forage research on cattle provided by the Fund at the beginning of the project to the Swift Current Research Station (Station). The Station uses proceeds from the sale of cattle to pay for feed and care of the cattle that it uses in its research. Upon termination of the agreement, \$30,000 will be paid to the Fund by the Station and the remaining assets will revert to Agriculture Canada. Included in the Fund's accounts receivable is \$30,000 receivable from the Station.

All activities related to the cattle are those of the Station and are not shown in these financial statements.

6. Western Beef Development Centre

The Minister of Agriculture, Food and Rural Revitalization entered into an agreement with the Western Beef Development Centre (WBDC) on November 1, 2001. This agreement expires on November 30, 2006. The agreement provides for the Fund to loan cattle to WBDC for research purposes. At the conclusion of the agreement, all funds remaining in the account and a minimum of 300 head of cattle are to be returned to the Fund. The Fund provides money from its cattle sales to WBDC to pay for the following research costs:

	Western Beef Development Centre	
	2002	2001
Salaries	\$ 101,680	\$ 33,492
Feed supplements	56,420	75,068
Tillage, seeding and manure removal	26,490	7,215
Miscellaneous	22,230	1,233
Veterinary services and supplies	11,230	6,311
Utilities, license & insurance	10,390	6,047
Equipment and building repairs	9,950	18,529
Trucking and travel	7,110	2,339
Municipal taxes	6,400	4,325
Fuel	5,060	4,016
Cattle purchases	400	505
Equipment rental	100	1,825
	<u>\$ 257,460</u>	<u>\$ 160,905</u>

Included in salaries above is \$61,312 (2001 - \$ nil) of WBDC head office salary costs allocated to the Fund.

Also, during the year, the Fund purchased \$55,000 of additional cattle from WBDC's own herd for research purposes.

7. 2001/02 Budget

The Advisory Committee approved the 2001/02 budget on January 25, 2001.

8. Financial Instruments

Accounts receivable, accrued interest and accounts payable are non-interest bearing and are due or payable within the next year. Due from General Revenue Fund is interest bearing and due within the next year. Due to this short-term maturity, the fair value of these instruments approximates the carrying value.

9. Related Party Transactions

These financial statements include transactions with related parties. The Fund is related to all Saskatchewan Crown agencies such as departments, corporations, agencies, boards and commissions under common control of the Government of Saskatchewan. Also, the Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

The Fund paid grants of \$37,500 (2001 - \$71,099) to the University of Saskatchewan.

Livestock Services Revolving Fund provides administrative services to the Fund for an annual fee of \$15,000 (2001 - \$15,000).

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

10. Subsequent Event

On June 20, 2002, *The Horned Cattle Purchases Amendment Act, 2002* (Act) was assented to by the Lieutenant Governor of Saskatchewan. This Act contains amendments to the current legislation. The deductible amount will increase from \$2 per head to \$10 per head of cattle sold with horns. The increase will be effective when the Act is proclaimed. The Act has not yet been proclaimed.

HORNED CATTLE FUND
DETAILED LIST OF EXPENDITURES (UNAUDITED)
For the Year Ended March 31

	<u>2002</u>	<u>2001</u>
Personal Services:		
Board member costs	\$ 2,005	\$ 595
Travel:		
Other	<u>3,049</u>	<u>1,021</u>
Grants:		
University of Saskatchewan:		
Western College of Veterinary Medicine	—	36,099
Veterinary Infectious Disease Organization	37,500	35,000
Canada Beef Export Federation	25,000	—
Foundation of Animal Care	7,500	7,500
Saskatchewan Cattle Feeders Association	—	15,000
Canadian Western Agribition	<u>5,000</u>	<u>—</u>
	<u>75,000</u>	<u>93,599</u>
Supplier Payments:		
Western Beef Development Centre	312,460	160,905
Payees under \$20,000	<u>15,045</u>	<u>15,000</u>
	<u>327,505</u>	<u>175,905</u>
	<u>\$ 407,559</u>	<u>\$ 271,120</u>